Swami Ramanand Teerth Marathwada University, Nanded

Research Topic

Comparative Study of Pre and Post Merger Performance of SBI
(with special reference to Deposits and Advances)

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Abstract:

It has been realized globally that Mergers and acquisition is only way for gaining competitive advantages domestically and internationally and as such the whole range of industries are looking for strategic acquisition within India and abroad. Today the banking industry is counted among rapidly growing industry in India. Relatively new dimension in Indian Banking Sector is accelerated through M&A. As then Merger and Acquisition (M&A's) plays crucial role in Indian Banking Sector, it leads to increasing pre merger and post merger financial performance of banks to achieve their goals.

SBI merger is the biggest in the Indian Banking Industry. So, this study is to understand, compare and analyze the Financial Performance, profitability and other financial ratio of pre and post merger performance of SBI, when five associate Banks and Bharatiya Mahila bank merge with SBI in 2017. The main aim of this study is to highlight the theoretical background and impact of pre and post merger financial performance of SBI (with special reference to Deposits and Advances).

Keywords: Pre Merger, Post Merger, Profitability Ratio, liquid ratio, SBI

Introduction

India is not only the world's largest independent democracy, but also an emerging economic giant. Without a sound and effective banking system, no country can have healthy economy. Indian banking industry plays an important role in economic development of the country and is the most dominant segment of financial sector. But with it the concept of merger and acquisition has become very trendy in present day situation, especially after liberalization initiated in India since 1991. The emergence tendency towards merger and acquisition world-wide, has been ignited intensifying competition.

Merger and Acquisition (M&A's) are most widely used strategy by firms to strengthen and maintain their position in market. M&A's are considered as a relatively fast and efficient way to expand into new market and incorporate new technology. Merger and acquisition plays crucial role in Indian banking sector, it leads to increasing pre and post merger financial performance of bank to achieve their goals.

A merger is pivotal event assumed to create value where two companies combine and consolidate to achieve synergy in business operations. It's a form of external restructuring to avoid financial distress, to face the challenge of increasing competition and to benefit from the greater efficiency and competitive strength. Another up and coming reason for rapid consolidation in this sector is the growing presence of foreign banks in a country. This adds more oil to the spreading fire of competition as foreign banks would consider merger and acquisition as a quick method of inorganic growth. With the changing era, Indian banking system is shifting from an arrangement of large amount of small bank to a structure where in there are small numbers of large bank. This structure has already crept into the developed economies and has made history; however, in emerging economies like India, this system is gaining prominence in gaining times.

Indian banking has undergone major transformation during the past three decades and has been more socially relevant and development oriented. In 1969 in India 14 major banks get nationalized and of another six banks in 1980 marked a significant step towards this transformation. We have seen in era of nationalized bank dominated banking industry where all banking operations are done by the nationalized banks only with the sole objective of social banking and where peoples &welfare occupies the major place. But at that time efficiency of banks in their operation was also not so appreciable than in today. In modern era of cut throat competition, every bank and banking group is striving to attract more and more customer towards itself, so that it can make its name in the banking industry

and gets fame by their operations and working, so that their customer's loyalty and can be increased towards them.

Now a days, nationalized banks are not only concerned about providing their customers with lots of facilities, but the quality of those services are also their major concern. As to overcome the problem of Non-Performing Assets (NPA) and other financial, working and functional instability in nationalized bank, government of India merged some nationalized bank. So there are total 12 nationalized bank presently working in India 2021. Today the banking industry is counted among rapidly growing industry in India. Relatively new dimension in Indian Banking Sector is accelerated through M&A. As then Merger and Acquisition (M&A's) plays crucial role in Indian Banking Sector, it leads to increasing pre merger and post merger financial performance of banks to achieve their goals. Moreover, merger and acquisitions in the banking industry have resulted in large universal banks in term of total assets, products, and geographical diversification. SBI merger is the biggest in the Indian Banking Industry, when five associate Banks of SBI and Bharatiya Mahila bank merge with SBI in 2017. So, this subject is selected to understand and for comparative study of pre and post merger performance of State Bank of India (SBI) (with special reference to Deposits and Advances).

Review Literature:

S.No	Year	Author Name	Title of Paper	Objectives	Findings
1	2020	Smriti Nagaria, R. Lavanya umari	Bank crisis: The current scenario of Merger and Acquisition in India	To study the impact on banking system and to identify the reasons for merger and acquisition	It concludes that merger is a helpful strategy through this ban can expand their operation and the overall growth
2	2018	Naveen Kumar, Vidhya VJ, Meghana B Reddy	A Study on the Impact of Pre and Post Bank Merger Announcement on stock Price Movements	To determine the impact of bank merger announcement date on stock price movements of the acquiring bank.	It seems that there was no significant impact on the stock price movement prior to and after the announcement of merger date
3	2016	Prof. Ritesh Patel & Dr. Dharmesh Shah	Compare the financial performance of before and after merger of banks through value added approach	To compare the financial performance of before and after merger of banks through value added approach	Outcome is the financial performance of the bank may be improved after merger. But if past financial data are examined before merger, can make merger fruitful.
4	2015	Dr.Deepa Joshi, and Garima Joshi	Study On The Impact Of Mergers And Acquisitions On Efficiency Of Performance Of Indian Banks	To compare and analyze the pre merger and post merger financial statements of the acquirer banks for different years	It drives the organization to create synergy and value creation by way of diversification and improved management

5	2013	Dr.S.Nirmala	Financial Performance Of Mergers And Acquisitions Of Select Banks In India	To evaluate the pre and post merger financial performance of the acquirer and target	The study found that the shareholders of the acquirer companies increased their financial performance after the merger Event.
6	2012	M.C. Sharma and Mahima Rai	Post merger performance of Indian banks	To identified the objectives of mergers and acquisition in the Indian Banking sector. To analyzed the financial performance of the merged banks through the model of EVA.	The study concluded that there was positive effect of mergers although it takes some time to show
7.	2011	Akhil Bhan	Mergers In Indian Banking Sector – Motives And Benefits	To study the efficiencies or benefits achieved due to the merger.	The mergers in the banking sector in the post reform period possessed considerable gains which was justified by the EVA of the banks in the post Merger period

Research Scope:

Banking sector is key area for the development of Indian economy. It is seen that most of the studies were based on financial performance, financial ratios, growth, working, functions and progress on nationalized bank. But this study is particularly emphasize on Comparative study and analysis of pre and post merger performance of State Bank of India. As five associate banks and Bharatiya Mahila Bank merged with SBI in 2017. It affects the productivity, profitability and functional efficiency of bank to a large extent. The impact of merger resulted in change in profitability, working, and other financial ratio is compare and evaluate the performance of pre and post merger period.

Objectives:

1. To study and analyze the concept, trends and legal framework of M&A's of the selected commercial bank in India.

2. To compare and analyze the Deposits and Advances of pre and post merger performance of SBI.

3. To highlight the theoretical background, impact and comparative study of pre and post merger financial performance of SBI.

4. To find out if merger and acquisition can contribute for improvement in performance of SBI (with special reference to Deposits and Advances).

5. To offer findings and suggestions in the light of the study.

Hypothesis:

To validate the objectives of the study following are hypothesis.

H01: There is no significant difference between pre-merger and post-merger financial performance of acquiring banks.

H02: There is no relation between deposit ratio and advance ratio performance of acquiring bank.

H03: There is no significant impact of Merger and acquisition on Financial performance deposits and advances.

Research Methodology:

1. **Research Design:**

Research is considered as journey from unknown to known. Methodology is the way to solve the research problem systematically. The required secondary data constitutes the main source of information, suitable for the purpose of present study. This study will be descriptive as well as analytical so, it compare the financial ratios too in order to achieve specific objectives.

2. **Merger period:** 2017

3. **Sample Size:** For achieving different objectives, five associate banks of SBI and Bharatiya Mahila Bank merger with SBI in 2017 will be taken in research study selected time period for research study is 08 years (2014 to 2022).

S.No	Acquirer Bank	Target Bank	Year of Merger
1	State Bank of India	Bharatiya Mahila Bank	2017
2	State Bank of India	State Bank of Travancore (SBT)	2017
3	State Bank of India	State Bank of Bikaner and Jaipur (SBBJ)	2017
4	State Bank of India	State Bank of Hyderabad (SBH)	2017
5	State Bank of India	State Bank of Mysore (SBM)	2017
6	State Bank of India	State Bank of Patiala (SBP)	2017

4. **Duration of Study:**
   Selected time period for research study is 08 years (2014 to 2022) to compare pre and post-merger performance of SBI.

5. **Data Collection:**

Secondary data will be collected through various publications of Ministry of Finance, Reserve Bank of India, (RBI), Business magazines, Annual Reports of selected bank from their websites and other online sources.

6. **Analysis Technique:**

   A fundamental analysis is done as it reflects the real condition of the bank using all its financial parameters. Financial parameters are used to calculate the different financial ratios of Liquidity ratio, Operating profit ratios and activity ratios, to study and compare the pre merger and post merger performance of bank.

7. **Statistical Tools:**

   a. Ratio Analysis
   b. Trend Analysis
   c. T-test

8. **Limitations:**

   1. Collection of Data will be secondary in nature. in such case, study carries all the limitations inherent with the secondary data and financial performance.
   2. The study is restricted to one public sector bank that is SBI and its associated banks only. which may not be representing all the common characteristics of the universe.
   3. This study is limited to only eight-year time (2014-2022)

Proposed Plan for Study

❖ Chapter -1

- Introduction
- Review of Literature
- Profile of selected Commercial Bank in India
- Research Methodology

❖ Chapter -2

- Concept of M&A's
- Trends of M&A's
- Legal Framework of M&A's of the selected Commercial Bank in India.

❖ Chapter -3

- Analyze the Performance of selected commercial Bank in India before (pre merger) and after (post merger) merger.

❖ Chapter -4

- Comparative study of Financial Performance deposit and advances of the selected commercial Bank in India before (pre merger) and after (post merger) merger.

❖ Chapter -5

- Impact of merger and acquisition on the financial performance, deposits and advances of the selected Commercial Bank.

❖ Chapter -6

- Findings, Conclusion and Suggestions.

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